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**Board of Directors**

**June 28, 2012**

**5:30 p.m.**

**Scott Heyman Conference Room**

Approved 8-23-2012

***Municipal Representatives:***

Don Barber, Chair, Town of Caroline; Steve Thayer and Svante Myrick, City of Ithaca; Anita Fitzpatrick, Tompkins County; Laura Shawley, Town of Danby; Judith Drake, Town of Ithaca (arrived at 5:35 p.m.); Herb Masser, Town of Enfield (arrived at 6:10 p.m.); Charles Rankin, Village of Groton; David Kerness, Town of Ulysses; Elizabeth Karns, Village of Cayuga Heights; Rordan Hart, Village of Trumansburg

***Voting Union Representatives:***

Chantalise DeMarco, CSEA President, Joint Committee Chair (arrived at 5:35 p.m.)

***Excused:***

George Apgar II, Ithaca Professional Fire Fighters Association; President, 2nd Labor Representative

***Absent:*** Glenn Morey, Town of Groton; Charles Becker, Village of Dryden; Mary Ann Sumner, Town of Dryden

***Others in attendance:***

Steve Locey, Locey & Cahill; Paul Bursic, Cornell University; Mark Coldren, Ithaca College; Sharon Dovi, TC3 Human Resources Manager; Travis Turner, Physicians Hospital Organization Executive Director; Scott Futia, CSEA Deputy Director; David Squires, Tompkins County Finance Director; Joe Mareane, Tompkins County Administrator; Donna Nield, City of Cortland Benefit Consulting Group; Mack Cook, Cortland City Manager; Paul Sandy, Deputy City of Cortland Police Chief

**Call to Order**

The meeting was called to order at 5:30 p.m. by Mr. Barber.

**Approval of Minutes – April 26, 2012**

It was MOVED by Ms. Shawley, seconded by Mr. Hart, and unanimously adopted by voice vote by members present with Mr. Kerness abstaining, to approve the minutes of April 26, 2012 as corrected. MINUTES APPROVED.

Ms. Drake and Ms. DeMarco arrived at this time.

### **Changes to the Agenda**

Mr. Barber reported that there will be discussion of the Request for Proposals for Pharmacy Benefits Manager, however, no action will be taken until the August meeting.

### **Financial Update**

Mr. Locey presented a 2012 Budget Performance Analysis dated May 31, 2012. He noted the May premium income was adjusted slightly due to there being a premium receivable of slightly over \$1 million. May, 2012 began with slightly over \$4 million in the Fund Balance; \$12 million was received in premium income in addition to ancillary premium and other income, bringing the total income received to \$12,180,959 to date for 2012. The bulk of the expenses were for medical expenses and prescription drug expenses, and totaled \$11,268,471. A net income for the period was \$912,488, bringing the total balance to slightly over \$ 5 million. Mr. Locey said the estimate for the IBNR is \$3.14 million, Rate Stabilization Reserve - \$1.44 million, resulting in an Unencumbered Fund Balance of slightly under \$425,000. That money will continue to be accumulated over the next year. At the time which it reaches an appropriate level, monies will be paid to municipalities that contributed to the Rate Stabilization Reserve.

It was reported by Mr. Locey that the budgeted versus actual results for the year for the first five months show revenue to be approximately 8.9% above the expected level (\$107,000); total expenses are 2.7% below budget (\$.5 million). At this point they had projected having approximately \$303,000 in net income, however, income is slightly over \$900,000.

With regard to paid claim through 2011 and the first five months of 2012, in aggregate the total paid claims expense versus budgeted claims were within .16% of what was projected (within \$45,000 of an almost a \$33 million budget).

Mr. Locey presented the continued accounting of the capitalization payments that have been made, interest earned on investments, and percentage of ownership for each contributing municipality. He presented a graph showing monthly paid claims versus budgeted claims. Medical expenses are approximately 9% below budget, drug expenses approximately 10% above budget; however, this was due largely in part due to an extra payment made in May.

Mr. Squires reported in this week's Medco billing was offset by \$103,000 in pharmacy rebates for the fourth quarter of 2011; \$100,00 was estimated.

### **Update on Request for Proposals on Flex Spending Account Administration and Employee Assistance Program**

Mr. Locey reported information was received and analyzed for the Flex Spending Account Administration RFP. A meeting was held to review the data and a request for additional information was sent out. That information has been received and distributed to members of the Review Committee. A meeting will be scheduled in the next couple of weeks to develop a recommendation to the Board of Directors.

Responses to the RFP's for the Employee Assistance Program were received and have been analyzed and information has been distributed to the Review Committee. A meeting of this Committee will also be scheduled in the next few weeks.

A report will be provided to the Board at the August meeting.

**Appointment of Appeals Committee**

**RESOLUTION NO. 003-2012 - APPOINTMENT OF APPEALS COMMITTEE**

MOVED by Mr. Barber, seconded by Ms. Shawley, and unanimously adopted by voice vote by members present.

Whereas, an appeals process is required by the New York State Department of Financial Services (formerly the New York State Insurance Department), and

Whereas, the Appeals Committee was initially appointed on November 18, 2010 and at that time it was decided by the Board of Directors that three members would be adequate to serve in this role, and

Whereas, the Appeal Committee shall meet on an as-needed basis and membership shall be reviewed periodically, now therefore be it

Resolved, That the membership of the Appeals Committee shall include the following members:

- Anita Fitzpatrick
- Chantalise DeMarco
- Chuck Rankin

\* \* \* \* \*

**Update on Request for Proposals – Prescription Drug Manager**

Mr. Locey reported on the status of the negotiation process for Prescription Drug Manager and issues relating to finances and service that are being addressed. At this time the Committee would like to go back to each vendor to see if offerings can be further enhanced and come back with to the Board in August with a formal recommendation. Some of the issues relating to service include having a dedicated person where someone from a municipality can talk to a live customer service representative to address concerns. Mr. Locey said they will go back to vendors and to explain what type of customer service is expected and will also put this information in writing. He said members will receive a full analysis along with a recommendation prior to the August Board meeting.

Mr. Barber asked what additional information members would like to receive prior to that meeting. Ms. Karns said she is very interested in utilization and whether policies shift utilization. Mr. Locey said it is much easier to predict drug expenses as opposed to medical expenses. In terms of influencing costs the one thing that could be discussed is whether there are benefits to using the same prescription drug

manager as other employers such as Cornell and Ithaca College. There could be benefits in this as the Consortium is trying to work collectively with other entities to lower costs.

At this time members communicated their individual opinions to guide the Review Committee in developing a recommendation if the outstanding issues came down to being service versus cost. Although several members expressed a desire to bring the cost difference between offerings to the lowest possible level with larger employers placing emphasis on the cost; the majority believed service should be strongly considered as a very important factor when offerings are close.

Mr. Masser arrived at this time.

Ms. Fitzpatrick said she was very involved in prior PBM transitions and noted it is a difficult process for both employees and retirees.

### **New Participant Interest in Joining the Consortium**

Mr. Barber said representatives of the City of Cortland have expressed interest in joining the Consortium and are in attendance to answer questions. Mr. Locey provided a brief overview of the Consortium's history and said the Consortium started with 13 municipalities and two labor representatives from Tompkins County and the Municipal Cooperative Agreement provides two distinct provisions regarding the joining of new or additional participants. For municipalities within Tompkins County the Board can allow a municipality to join by a majority vote of the Board of Directors. It takes a 2/3 vote of the entire Board (10) for a municipal corporations which are not located in the geographical or political boundaries of Tompkins County to become a participant.

He said two entities have asked for consideration in joining the Consortium – the Town of Covert and the City of Cortland. The Town of Covert is a small entity with a high deductible health plan with a health savings account, which is something the Consortium does not offer. The City of Cortland has a similar program to what is offered under the Consortium. They have an indemnity-style program and the biggest difference is in their prescription co-pay arrangement which is currently at \$0/\$10. Mr. Locey said the Municipal Cooperative Agreement addresses moving from 13 to 17 members in terms of voting structure and does not address going above 17 or bringing in members outside of Tompkins County.

Mr. Locey distributed a utilization analysis for the City of Cortland's paid claims and summarized they are very similar to the Consortium in terms of monthly paid claims. In analyzing the City of Cortland's plan costs for 241 subscribers under the Consortium's indemnity plan the City would save approximately \$250,000 in annual premium costs. He noted this does not contemplate any payment they would have to make to fund the Rate Stabilization Reserve as all the other participants have done or if there would be any contribution to the surplus that now exists.

Mr. Barber recommended the creation of a special committee to analyze this and other requests. He said the Consortium had to file its benefits plans with the

State Insurance Department and if the plans were to be changed this would need to be discussed.

Other areas that would need to be looked at include the Rate Stabilization Reserve, labor representation and voting, what is the range outside of Tompkins County the Consortium willing to accept, and what analysis is needed to determine whether a municipality would make a good fit.

Mr. Hart stated he supports having more members in the Consortium to spread out the cost and suggested allowing municipalities in adjacent counties to join the Consortium. He also stated he thinks it is problematic to create new benefits packages for new members.

Mr. Cook said on behalf of the City of Cortland residents and employees he appreciates the opportunity for consideration being given to join the Consortium. He said the City is not under a time constraint to join the Consortium and he said many of the City's residents are employed in Tompkins County. The City has experience two good financial years recently and has been able to build up its General Fund without cutting services. The City is under budget for the first six months of 2012 and over revenue. He said he is expecting, however, that the 2014 thru 2017 budgets will be much more difficult and is looking proactively at ways to reduce healthcare costs. Mr. Cook said all of the City's financial statements as well as health care information is available.

Mr. Masser asked what the City's relationship is with its unions. Mr. Cook said five of the six union agreements are under negotiation this year and while relationships are good, he expects they will be tried in the coming year.

**MOTION NO. 002-2012 - Creation of Special Committee to Review Request by Cortland County to Join the Greater Tompkins County Municipal Health Insurance Consortium**

It was MOVED by Mr. Barber, seconded by Ms. Karns, and unanimously adopted by voice vote by members present to appoint the following members to a special committee to review the request by Cortland County to join the Greater Tompkins County Municipal Health Insurance Consortium:

Chantalise DeMarco, Anita Fitzpatrick, Chuck Rankin, and Don Barber

"Said Committee shall present to the Board of Directors at the August 23, 2012 meeting the changes and issues that need to be decided upon with regard to the request by Cortland County to join the Consortium".

\* \* \* \* \*

**Panel Presentation by Cornell and Ithaca College Concerning Health Care Provider- Payer- Patient Dynamics to Determining Direction for Strategic Planning Committee**

Mr. Barber said the Consortium was created and based on trust. As he has spoken to many groups across the State that have asked questions he has learned that the intermunicipal cooperation that exists in Tompkins County is unique and has been key to the success of the Consortium. He said the Strategic Planning Committee has been meeting every other month and has participants that include providers, the Health Planning Council and large employers such as Ithaca College and Cornell University.

Mr. Bursic said Cornell's faculty and staff fill the same waiting rooms as the Consortium's, they receive a lot of services from Cayuga Medical Center and Guthrie. They are interested in cooperating with other large employers in town because they know the physicians are determined to make progress that he believes is in the same direction. Mr. Bursic said he thinks both visions are aligned and that each group wants to be able to bend the cost curve to the greatest extent possible. Mr. Bursic said simply making financial adjustments is not the solution. They would like people to take better advantage of the connections they are trying to forge with the primary care physicians so that people go to the least expensive locus of care and the people who are best-trained to oversee the care that they get.

Mr. Coldren said as an employer Ithaca College is looking at what it has within its local control and take a stronger educational approach with employees so that they understand their responsibility in this. The College is also trying to understand their data and understanding utilization in order to make decisions about plan design. He said this is about community and stressed that having everyone, including the payers, taking part of the discussions is important.

Mr. Bursic said a few years ago the endowed side of Cornell, along with Travis Turner and his colleagues, put together the Cornell Program for Healthy Living and this program is already in full compliance with the Affordable Care Act. The Program anticipated what a lot of health care experts were saying, in that personal responsibility is very important. To do this you need to be able to match up the most trusted health advisor and very closely align them professionally and financially with the best interests of the employee population. He believes progress is being made and in the next few years they will try to improve and perfect this care delivery model to move in a direction where they believe the community needs to be. Mr. Bursic said Cornell would like to work with other large employers in town and providers to forge a better path for everyone.

Ms. Karns asked if Cornell or Ithaca College has seen any change in trends with the patient education and personal responsibility. Mr. Coldren said Ithaca College is trying to lay the ground work for a stronger requirement later that could involve into models such as providing discounts or premium rebates or charging more to people who do not participate in a wellness program.

Mr. Barber said he would like to have more participation in discussions by Board members in the Strategic Planning Committee meetings. He also stressed the importance of labor being part of these discussions. Mr. Locey said he was informed the BOCES School Consortium will be sending a representative to these meetings.

Mr. Turner commented that bringing physicians and hospitals into these discussions and talking with employers is difficult and the relationship that exists here in Tompkins County is very unique and should be taken advantage of.

Mr. Kerness suggested looking at the Keyser model and said it seems to be effective in other areas and he has heard positive feedback about it.

### **Report from the Joint Committee on Plan Structure and Design**

Ms. DeMarco said the Committee has met twice since the last Board of Directors meeting and received a presentation on the Patient Centered Medical Home concept. She said it would involve changing billing codes which may impact the premium rate. At the last meeting the Committee received a presentation from Jennifer Stuckert from Interactive Health Solutions, a national company that provides the wellness program for Excellus. These presentations are part of the Committee's exploration of ways to best engage employees in their health. The Committee also continues to follow the RFP process for the Flex Spending Account, Employee Assistance Program, and Prescription Drug Manager.

### **RFP Process for Consortium Consulting Contract**

Mr. Barber reported the Consortium's contract with Locey and Cahill ends at the end of 2012; however, the Board can extend the contract on an annual basis for two terms. He asked members to think about this as it will be discussed at the next meeting.

### **Update on CanaRx**

Mr. Locey said information was sent to members prior to the meeting. He briefly reviewed the history, stating the County and Tompkins Cortland Community College both use CanaRx. The State is unwilling to provide an opinion on whether an Article 47 Consortium can use it; therefore, it is a decision each of the municipalities must make a decision about. He said if any municipality is interested in this individually or through the Consortium that decision would need to be made. He noted that if it were to be brought into the Consortium the expense currently incurred by the College and the County would be brought into the Consortium. He doesn't know what the Department of Financial Services' reaction would be if the Consortium were to include. He suggested that members speak to their municipal boards and legal counsel and provide report back on the response. In response to Ms. Fitzpatrick, Mr. Locey said there are other municipalities that utilize the program, however there are no other Article 47 Consortium's that use the program. He said the main reason why municipalities they work with don't use the program is because their legal counsel advised against it and there is also concern over the audit trail because there is no formal agreement in place.

Mr. Locey said although a formal analysis has not been done, he would expect there to be a savings to the Consortium but could not predict what that would be.

Mr. Barber reiterated Mr. Locey's suggestion that members discuss this with the membership of their municipal boards and report back on the comments received.

**Adjournment**

On motion the meeting adjourned at 7:45 p.m.

Respectfully submitted by Michelle Pottorff, Administrative Clerk